

HB 2020 A BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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**Department of Administrative Services
2019-21**

**Department of Environmental Quality
2019-21**

**Department of Forestry
2019-21**

**Oregon Business Development Department
2019-21**

**Department of Transportation
2019-21**

**Housing and Community Services Department
2019-21**

**Public Utility Commission
2019-21**

**Higher Education Coordinating Commission
2019-21**

PRELIMINARY

Budget Summary*

	2017-19 Legislatively Approved Budget ⁽¹⁾	2019-21 Current Service Level	2019-21 Committee Recommendation	Committee Change from 2017-19 Leg. Approved	
				\$ Change	% Change
Department of Administrative Services					
General Fund	\$ -	\$ -	\$ 15,781,347	\$ 15,781,347	100.0%
Total	\$ -	\$ -	\$ 15,781,347	\$ 15,781,347	100.0%
Department of Forestry					
General Fund	\$ -	\$ -	\$ 333,310	\$ 333,310	100.0%
Total	\$ -	\$ -	\$ 333,310	\$ 333,310	100.0%
Housing and Community Services Department					
General Fund	\$ -	\$ -	\$ 568,654	\$ 568,654	100.0%
Total	\$ -	\$ -	\$ 568,654	\$ 568,654	100.0%
Higher Education Coordinating Commission					
General Fund	\$ -	\$ -	\$ 373,254	\$ 373,254	100.0%
Total	\$ -	\$ -	\$ 373,254	\$ 373,254	100.0%
Business Development Department					
Lottery Funds	\$ -	\$ -	\$ 250,000	\$ 250,000	100.0%
Total	\$ -	\$ -	\$ 250,000	\$ 250,000	100.0%
Department of Environmental Quality					
Other Funds Limited	\$ -	\$ -	\$ 1,039,640	\$ 1,039,640	100.0%
Total	\$ -	\$ -	\$ 1,039,640	\$ 1,039,640	100.0%
Department of Transportation					
Other Funds Limited	\$ -	\$ -	\$ 3,190,971	\$ 3,190,971	100.0%
Total	\$ -	\$ -	\$ 3,190,971	\$ 3,190,971	100.0%
Public Utility Commission					
Other Funds Limited	\$ -	\$ -	\$ 2,132,573	\$ 2,132,573	100.0%
Total	\$ -	\$ -	\$ 2,132,573	\$ 2,132,573	100.0%

* Excludes Capital Construction expenditures

Position Summary

	2017-19 Legislatively Approved Budget	2019-21 Current Service Level	2019-21 Committee Recommendation	Committee Change from 2017-19 Leg. Approved Change
Department of Administrative Services				
Authorized Positions	0	0	33	33
Full-time Equivalent (FTE) positions	0.00	0.00	31.08	31.08
Department of Forestry				
Authorized Positions	0	0	1	1
Full-time Equivalent (FTE) positions	0.00	0.00	1.00	1.00
Housing and Community Services Department				
Authorized Positions	0	0	4	4
Full-time Equivalent (FTE) positions	0.00	0.00	2.70	2.70
Higher Education Coordinating Commission				
Authorized Positions	0	0	3	3
Full-time Equivalent (FTE) positions	0.00	0.00	1.50	1.50
Department of Environmental Quality				
Authorized Positions	0	0	4	4
Full-time Equivalent (FTE) positions	0.00	0.00	3.63	3.63
Department of Transportation				
Authorized Positions	0	0	17	17
Full-time Equivalent (FTE) positions	0.00	0.00	8.39	8.39
Public Utility Commission				
Authorized Positions	0	0	6	6
Full-time Equivalent (FTE) positions	0.00	0.00	6.00	6.00

Summary of Revenue Changes

House Bill 2020 provides \$23,669,749 total funds to eight agencies for the purpose of implementing a cap and trade program focused on meeting state greenhouse gas emission reduction goals.

House Bill 2020 provides the following funding for the 2019-21 biennium:

- Appropriates \$15,781,347 General Fund to the Department of Administrative Services (DAS) for the purpose of establishing the Climate Policy Office (CPO) within DAS to implement the Climate Action Program;
- Appropriates \$333,310 General Fund to the Department of Forestry (ODF) for the purpose of developing carbon offset protocols and an associated reporting framework;
- Appropriates \$568,654 General Fund to the Housing and Community Services Department (OHCS) for the purpose of providing a biennial statewide energy burden report, to support the Energy Burden and Poverty Working Group, and for the evaluation of an information technology system to implement provisions of the bill;
- Appropriates \$373,254 General Fund to the Higher Education Coordinating Commission (HECC) for the purpose of establishing a Just Transition Program to distribute monies to programs providing financial support to workers dislocated or adversely impact by climate change or climate change policies;
- Increases Lottery Funds by \$250,000 for the Oregon Business Development Department (OBDD) for the purpose of determining the need for loans or financial assistance to commercial and natural gas users;
- Increases Other Funds expenditure limitation by \$1,039,640 for the Department of Environmental Quality (DEQ), funded from current greenhouse gas reporting and landfill permit fees revenues, for the purpose of expanded greenhouse gas reporting requirements, and establishing new standards for monitoring methane emissions from certain landfills;
- Increases Other Funds expenditure limitation by \$3,190,971 Other Funds for the Oregon Department of Transportation (ODOT) for the purpose of executing allowance auctions, recommending proposals for issuing credits and refunds, and creating a grant program, and conducting a study to determine the increases in costs to build public transportation infrastructure due to the regulation of motor vehicle fuel producers and importers.
- Increases Other Funds expenditure limitation by \$2,132,573 for the Public Utility Commission (PUC) for the purpose of supporting the Oregon Climate Board, developing rules for allocating allowances, oversight and verification of use of auction proceeds, consultation on

the climate action investment plan, preparing allowance reports, establishing cost recovery mechanisms, and adopting certain rate schedules.

House Bill 2020 provides General Fund for the CPO with the expectation the Office will become self-sustaining in the 2021-23 biennium and be funded with Other Funds generated by proceeds from the carbon auction market.

Summary of Natural Resources Subcommittee Action

Department of Administrative Services

The Subcommittee approved an increase of \$15,781,347 General Fund in the 2019-21 biennium for the purpose of establishing the Climate Policy Office (CPO) within DAS. The CPO is directed to adopt a Climate Action Program by rule. In addition, the bill creates the Oregon Climate Board, the Joint Committee on Climate Action and the Oregon Climate Action Operating Fund. All monies in the Oregon Climate Action Operating Fund are appropriated to DAS. The Oregon Climate Board will advise the CPO on policy and program matters, rulemaking and the evaluation of the best available scientific data.

The CPO will require staffing for its two programs, the Carbon Markets and Greenhouse Gas Reporting and Compliance programs, as well as administrative support. The Office will require 33 new positions (31.08 FTE) in the 2019-21 biennium and total position costs are projected to be \$7,969,984 General Fund. The following permanent positions are required beginning July 1, 2019: two Principal Executive Manager G positions (2.00 FTE), two Principal Executive Manager E positions (2.00 FTE), an Administrative Specialist 2 (1.00 FTE), a Project Manager (1.00 FTE), an Operations and Policy Analyst 4 (1.00 FTE), an Operations and Policy Analyst 3 (1.00 FTE), a Human Resources Consultant 1 (1.00 FTE), a Fiscal Analyst 3 (1.00 FTE), an Information Systems Specialist 6 (1.00 FTE), and two State Procurement Analysts (2.00 FTE). In addition, the following limited duration positions are required beginning July 1, 2019: one Human Resources Consultant (1.00 FTE), one Human Resource Analyst 2 (1.00 FTE), one Executive Support Specialist 2 (1.00 FTE) and one Office Specialist 2 (1.00 FTE). The purpose of these initial positions is to provide support with hiring, rule-making, budget monitoring, and the establishment of the Oregon Climate Board.

In addition to the above positions, the following permanent positions are required beginning October 1, 2019: an Economist 4 (0.88 FTE), an Economist 3 (0.88 FTE), a Research Analyst 4 (0.88 FTE), a Research Analyst 3 (0.88 FTE), two Environmental Engineer 3 positions (1.76 FTE), three Operations and Policy Analyst 4 positions (2.64 FTE), two Operations and Policy Analyst 3 positions (1.76 FTE), a Natural Resource Specialist 4 (0.88 FTE), two Environmental Law Specialists (1.76 FTE), and two Public Affairs Specialist 2 positions (1.76 FTE). The positions will provide further support to implement the Climate Action Program.

In addition to position costs, the following expenditures totaling \$7,811,363 General Fund are expected to be incurred in the 2019-21 biennium to carry out the provisions of House Bill 2020:

- Facility rental costs are estimated at \$297,792 General Fund;
- Legal costs of \$1,730,560 General Fund related to fees paid to the Department of Justice (DOJ) including the cost to defend legal challenges;
- One-time contracting costs of \$150,000 General Fund for a leakage risk study;
- One-time contracting costs of \$200,000 General Fund to collaborate with other state agencies to develop offset protocols;
- One-time contracting costs of \$200,000 General Fund to provide technical assistance to develop the Biennial Climate Action Investments Plan;
- One-time contracting costs of \$200,000 General Fund to develop allowances for Energy Intensive Trade Exposed (EITE) entities and establish emissions efficiency benchmarks;
- One-time contracting costs of \$100,000 General Fund to develop a forecast and allowance budget;
- Ongoing contracting costs with WCI, Inc. of \$1,275,000 General Fund for auction market services;
- One-time contracting costs of \$350,000 General Fund due to initial set-up and customization of WCI, Inc. platform;
- One-time informational technology contracting costs estimated at \$1,136,156 General Fund for a Project Manager, a Data Analyst, and a Data Architect to scope the business requirements and solutions architecture for required information technology systems;
- Information technology costs of \$1,800,000 General Fund to implement information technology systems;
- Ongoing Services and Supplies expenses of \$66,855 General Fund for board support supplies, travel and meals; and
- Ongoing costs of \$305,000 General Fund to maintain memberships in the United States Climate Alliance, Pacific Coast Collaborative, as well as other regional and national collaborative groups focused on climate change.

The Greenhouse Gas Reporting and Compliance Program will be transferred from DEQ in the 2021-23 biennium. Four positions will be transferred from DEQ to the CPO effective January 1, 2022 and include one Natural Resource Specialist 4 (0.75 FTE), one Natural Resource Specialist 3 (0.75 FTE), one Natural Resource Specialist 2 (0.75 FTE), and one Information Systems Specialist 6 (0.75 FTE).

Some costs described above are one-time costs to implement the Climate Action Program. In the 2021-23 biennium, non-position related ongoing Services and Supplies costs are projected to be \$5,207,676 Other Funds and include facility rent of \$297,792 Other Funds, legal costs to the DOJ of \$1,730,560 Other Funds, WCI, Inc. contracting costs of \$1,800,000 Other Funds, information technology costs of \$1,000,000 Other Funds, board support costs of \$74,324 Other Funds, and membership costs in collaborative groups of \$305,000 Other Funds.

Department of Forestry (ODF)

The Subcommittee approved an increase of \$333,310 General Fund for the 2019-21 biennium for the purpose of developing forestry carbon offset protocols to allow for the sale, offset, and management of carbon offset credits. To implement the provisions of House Bill 2020, ODF needs an Operations and Policy Analyst 3 (1.00 FTE) to fulfill the duties under provisions of this bill. Position costs in the 2019-21 biennium are projected at \$258,310 General Fund. In addition, reporting and studies will be contracted through Oregon State University and are expected to cost \$75,000 General Fund each biennium.

For the 2021-23 biennium, ODF anticipates it will require two additional Natural Resource Specialist 4 positions (2.00 FTE) to provide oversight of the offset auction proceeds distributed to the forestry sector and to continue ecosystem carbon work. The projected costs is \$516,620 General Fund in the 2021-23 biennium.

Department of Housing and Community Services (OHCS)

House Bill 2020 provides \$568,654 General Fund, and four positions (2.70 FTE) to OHCS. The bill requires the OHCS and the Oregon Department of Energy (ODOE) to prepare a biennial report on the statewide energy burden. The biennial report will require the two agencies to develop administrative rules for data gathering, and requires OHCS to convene an Energy Burden and Poverty Working Group, to assist with preparing the report and reviewing progress since the previous reports. OHCS is also required to develop a proposal for assisting households that heat with propane or fuel oil, and presenting the proposal to the Joint Committee on Climate Action by September 15, 2020. As part of the proposal for assisting households, OHCS is responsible for developing and maintaining a single database, accessible to all energy assistance providers, that contains data from both OHCS and ODOE.

OHCS will require three new permanent positions and one limited duration position (2.70 FTE) in the 2019-21 biennium. This includes the following positions: one Operations and Policy Analyst 3 position (0.88 FTE), a half-time Administrative Specialist 2 position (0.44 FTE), a half-time Research Analyst 3 position (0.50 FTE), and one limited duration Information Systems Specialist 7 position (0.88 FTE). The limited duration position may be requested again during the 2021-23 biennium for ongoing support of the new system. The cost of purchasing a new system is not included in this request, but may be requested in the 2021-23 biennium if that option is determined to be the most optimal.

Higher Education Coordinating Commission (HECC)

The Subcommittee approved \$373,254 General Fund to establish a Just Transition Program to distribute funds to programs that provide financial support to workers dislocated or adversely affected by climate change or climate change policies. The Just Transition Program will be advised by the Just Transition Advisory Committee. To meet the provisions of the bill, HECC will require the three positions (1.50 FTE). The position costs in the 2019-21 biennium are estimated at \$363,254 General Fund and include an Operations and Policy Analyst 4 (0.25 FTE) to develop rules and program policies and fulfill report writing and coordination with the Just Transition Advisory Committee, a Program Analyst 3 (1.00 FTE) to review grant applications and provide contract management services and monitoring, and an Administrative Specialist 2 (0.25 FTE) to support the Just Transition Advisory Committee. In addition to position costs, one-time vendor costs of \$10,000 General Fund have been included in the 2019-21 biennium to update the I-Trac system for workforce development boards.

Oregon Business Development Department (OBDD)

The Subcommittee approved \$250,000 Lottery Funds for the 2019-21 biennium for the purpose of conducting an analysis to determine if there is a need for loans or financial assistance to commercial and natural gas users. OBDD will contract with a third-party to prepare the analysis and report to the Joint Committee on Climate Action on or before September 15, 2020.

Department of Environmental Quality (DEQ)

The Subcommittee recommended an increase of \$1,039,640 Other Funds expenditure limitation and four positions (3.63 FTE). House Bill 2020 expands the scope and regulatory significance of the state's existing Greenhouse Gas Reporting program. The areas of expansion are rulemaking, third party verification, business assistance, internal verification, software development, greenhouse gas inventory, and compliance and enforcement. House Bill 2020 transfers the Greenhouse Gas Reporting program from DEQ to the CPO no later than January 1, 2022. The four positions included here, as well as four other positions (Natural Resource Specialist 4, Natural Resource Specialist 3, Natural Resource Specialist 2, and an Information Systems Specialist 6) will transfer to the CPO along with the program transfer.

As part of House Bill 2020, DEQ is directed to establish new standards for the monitoring, collections, and control of methane emissions from landfills emitting more than 25,000 tons of CO₂ annually. This requirement is anticipated to result in the regulation of seven to 10 landfills. For the 2019-21 biennium, DEQ anticipates Title V revenue from current permit fees for landfills is sufficient to cover the new requirements.

Department of Transportation (ODOT)

The Subcommittee approved an increase of \$3,190,971 Other Funds expenditure limitation and 17 positions (8.39 FTE) to execute the allowance of auctions and produce a proposal for issuing refunds or credits from the Transportation Decarbonization Investment Account (TDIA). The purpose of the TDIA is to create a grant program which will be funded out of the account. The primary impact to ODOT will be in its Highway Division for both project delivery and maintenance activities. ODOT, jointly with the CPO, must submit a report to the Governor, Joint Committee on Climate Action, and Joint Committee on Transportation by January 1 of each even year, on the entities that received money from TDIA. In addition, ODOT must jointly, with the CPO, select a third-party to audit all projects funded from the Climate Investments Fund administered by DAS, and submit a report to the Governor and the Joint Committee on Climate Action.

Included in the above Other Funds expenditures, there are one-time costs of \$130,435 to hire a consultant to provide program oversight and compliance with best practices and \$50,000 for a modeling and analysis consultant to measure program goals.

As a recipient of a substantial portion of funding from the cap and trade program created as a result of House Bill 2020, ODOT anticipates a significant number of positions will be required for project delivery. ODOT is only requesting resources for the 2019-21 biennium at this time. ODOT will return to subsequent legislative sessions with additional resource requests.

The Subcommittee approved the following Budget Note:

Budget Note

The Oregon Department of Transportation is directed to conduct a study of increases in costs to build public transportation infrastructure that could arise as a result of regulation of motor vehicle fuel producers and importers under HB 2020. The Department is directed to deliver the report to the Legislature no later than February 1, 2021.

To comply with the above referenced Budget Note, the Subcommittee recommended \$1,100,000 Other Funds expenditure limitation to conduct the study.

Public Utility Commission (PUC)

The Subcommittee approved an increase of \$2,132,573 Other Funds expenditure limitation in the 2019-21 biennium for the purpose of supporting the Oregon Climate Board, developing rules for allocating allowances, oversight and verification of use of auction proceeds, consultation on the climate action investment plan, preparing allowance reports, establishing cost recovery mechanisms, and adopting certain rate schedules. Four permanent and two limited duration Utility and Energy Analyst 3 positions (6.00 FTE) are required to implement provisions of the bill. In addition to position costs, PUC projects it will require \$33,000 Other Funds for Capital Outlay expenditures for cubicle costs and \$424,320 Other Funds for legal costs paid to the DOJ. The source of revenue to fund the positions is generated from PUC's assessment on utilities.

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Department of Administrative Services
Ali Webb- 503-378-4588

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE RECOMMENDATION</u>									
<u>Department of Administrative Services</u>									
New SCR - Climate Policy Office									
Personal Services	\$ 7,539,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,539,612	33	31.08
Services and Supplies	\$ 8,241,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,241,735		
<u>Department of Forestry</u>									
SCR 008-00 - Agency Administration									
Personal Services	\$ 198,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,700	1	1.00
Services and Supplies	\$ 134,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,610		
<u>Housing and Community Services Department</u>									
SCR 010-00 - Stabilization Program									
Personal Services	\$ 218,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,511	2	1.32
Services and Supplies	\$ 46,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,871		
SCR 070-00 - Central Services									
Personal Services	\$ 262,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,601	2	1.38
Services and Supplies	\$ 40,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,671		
<u>Higher Education Coordinating Commission</u>									
SCR 101-00 - HECC Operations									
Personal Services	\$ 279,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,426	3	1.50
Services and Supplies	\$ 93,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,828		
<u>Business Development Department</u>									
SCR 210-00 - Business, Innovation, Trade									
Services and Supplies	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000		
<u>Department of Environmental Quality</u>									
SCR 001-00 - Air Quality									
Personal Services	\$ -	\$ -	\$ 799,723	\$ -	\$ -	\$ -	\$ 799,723	4	3.63
Services and Supplies	\$ -	\$ -	\$ 239,917	\$ -	\$ -	\$ -	\$ 239,917		
<u>Department of Transportation</u>									
SCR 400-10 - Transportation Program Development									
Personal Services	\$ -	\$ -	\$ 651,020	\$ -	\$ -	\$ -	\$ 651,020	5	3.13
Services and Supplies	\$ -	\$ -	\$ 1,332,513	\$ -	\$ -	\$ -	\$ 1,332,513		
SCR 700-00 - Central Services									
Personal Services	\$ -	\$ -	\$ 1,118,000	\$ -	\$ -	\$ -	\$ 1,118,000	12	5.26
Services and Supplies	\$ -	\$ -	\$ 89,438	\$ -	\$ -	\$ -	\$ 89,438		
<u>Public Utility Commission</u>									
SCR 001-00 - Utility Regulation									
Personal Services	\$ -	\$ -	\$ 1,517,672	\$ -	\$ -	\$ -	\$ 1,517,672	6	6.00
Services and Supplies	\$ -	\$ -	\$ 581,901	\$ -	\$ -	\$ -	\$ 581,901		
Capital Outlay	\$ -	\$ -	\$ 33,000	\$ -	\$ -	\$ -	\$ 33,000		
SUBCOMMITTEE RECOMMENDATION	\$ 17,056,565	\$ 250,000	\$ 6,363,184	\$ -	\$ -	\$ -	\$ 23,669,749	68	54.30